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CAN LESS MEAN MORE IN INTERNATIONAL AID:
Public Opinion of International Assistance in Ghana

BY

MICHAEL BENA
Bachelor of Science, University of New Hampshire, 2000

THESIS

Submitted to the University of New Hampshire
in Partial Fulfillment of
the Requirements for the Degree of

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in

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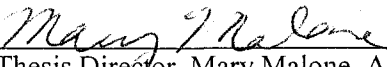
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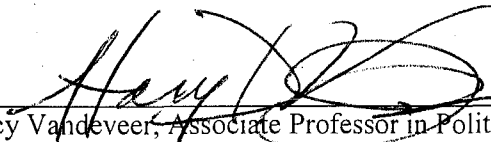
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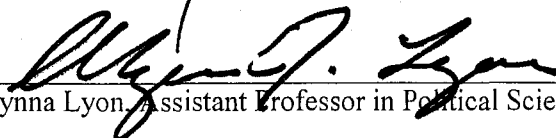
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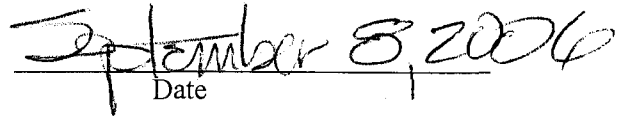
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ABSTRACT

CAN LESS MEAN MORE IN INTERNATIONAL AID: Public Opinion of International Assistance in Ghana

by

Michael Bena

University of New Hampshire, September, 2006

This study examines public opinion of international aid in Ghana with a focus on a multivariate ordinary least squares regression model. It first examines the country of Ghana and the events that led to involvement with the International Monetary Fund under the Economic Recovery Program. After analyzing existing literature on satisfaction with government and economic programs, the study goes on to suggest what might drive citizen satisfaction with these programs. Using information from the Afrobarometer survey, this thesis proposes that public opinion of international aid programs is related to the tangible benefits they provide and the publics' perceptions of inequality with regards to the program. This research then used a multivariate regression analysis to evaluate the suggested hypotheses. Finally it will suggest several courses of action that may be taken by international aid organizations to improve public satisfaction with their programs.

INTRODUCTION

In 1983 Ghana became the first sub-Saharan African country to introduce structural adjustment under the World Bank and the International Monetary Fund (IMF).¹ Entitled the Economic Recovery Program (ERP), these policies were designed to "pursue an export-led economic growth strategy and restructure the public sector of the economy in order to improve growth prospects."² The country remains highly dependent on international aid over 20 years after the initiation of these programs and the quality of life for average Ghanaians continues to deteriorate.³ Yet, Ghana remains an example used by the IMF and the World Bank of the success of their programs in Africa.⁴ In Ghana, as in many other aid receiving countries, the IMF and World Bank are viewed negatively for their role in restructuring the economy. Why are Ghanaians dissatisfied with aid programs while the international organizations responsible, and their major donors, see success? This paper will suggest that citizens evaluate the programs much differently than the organizations responsible for them. Where the International Financial Institutions (IFIs) look to a variety of macroeconomic statistics, citizens view the tangible benefits provided by the programs and their perceptions of equality as the important factors in judging these programs.

The organizations implementing structural adjustment programs (SAPs) measure their success based on macroeconomic factors such as changes in GDP, a balanced

¹ Gavin Hilson, "Structural Adjustment in Ghana: Assessing the Impacts of Mining-Sector Reform," *Africa Today* (Winter 2004): 53.

² Kwadwo Konadu-Agyemang, "Structural Adjustment Programmes and the international tourism trade in Ghana, 1983-99: some socio-spatial implications," *Tourism Geographies* (May 2001): 192.

³ Ibid.

⁴ Neil Ridler, "Fixed Exchange Rates and Structural Adjustment Programmes: Cote D'Ivoire," *The Journal of Modern African Studies* (1993): 303.

budget and a properly valued currency.⁵ Citizens measure their satisfaction with these programs differently, however, looking to two indicators of the effect of the economy on their daily lives. The first criterion that citizens base their opinions of government programs on is the tangible benefits they receive. If the government is unable to provide basic social services to their citizens, economic programs such as SAP will not be generally accepted. With the reduced government funding for social programs that accompanies SAP, however, governments face a quandary in maintaining many services. The second major factor in public opinion of government programs is equality. This research suggests if citizens feel that others are benefiting from a program while they continue to struggle, they are unlikely to support the program.

The macroeconomic environment in Ghana can be interpreted differently depending on which statistics are looked at, but most microeconomic indicators show a more pessimistic view of Ghana's economy. The IFIs generally rely on macro-level indicators, but looking to citizens' evaluations is also important. When high levels of citizen dissatisfaction exist in fragile democracies, such as Ghana's nascent democratic state, government stability can be threatened, as happened in Argentina or Bolivia. For many governments of the developing world, especially in democratic states, legitimacy is a problem after many years of instability and economic uncertainty. If these governments are standing beside the IMF and World Bank in implementing unpopular programs that the people see as hindering their economic and social potential, their legitimacy may be reduced even further.

⁵ Ibid.

Some theorists argue that democracy must arise naturally once a country has reached certain levels of economic and social development.⁶ Whether Ghana and other developing states have actually reached the point where democracy would have evolved without outside pressures is debatable, but now that democracy exists, it is in the interest of the international community to see that it continues. The collapse of other democratically elected governments such as Sudan or Haiti show that weak regimes in economically weak states are at risk for violence and a return to authoritarian forms of government. Public support “for incumbent government ... are driven by reactions to the performance of national economies and judgments concerning governments’ effectiveness in managing them.”⁷ In developing countries like Ghana with a history of instability a loss of legitimacy could lead to a crumbling democracy or the election of fundamentalist leaders that will turn to authoritarian forms of government.

Political instability in Venezuela led to an economic recession in 2002 and 2003, with a decrease in GDP of 8.9 percent in 2002.⁸ Argentina’s economic collapse in 2001 can be attributed to the deterioration of the political and economic situation, as instability took hold in the country. In developing countries stability is often a great challenge. Ghana’s democracy has shown signs of recent stability and it is hoped that this can continue. By increasing citizen satisfaction with the program that controls so much of their country’s economy, the chances of maintaining stability are greatly improved.

Assessing public opinion can reveal important information about IMF involvement in developing nations. Recent research has suggested that public

⁶ Notably Robert Kaplan “Was Democracy Just a Moment?” *Atlantic Monthly* (December 1997): 55-80.

⁷ Harold Clarke, Nitish Dutt, and Allan Kornberg, “The Political Economy of Attitudes toward Polity and Society in Western European Democracies,” *The Journal of Politics* (November 1993): 1000.

⁸ “Venezuela Profile,” *International Debates* (November 2004): 227.

perceptions of IMF interventions in emergency situations “constitute a powerful force, which can determine the success or failure of a given economic restructuring program.”⁹ A lack of understanding on the part of government officials, or even average citizens, can negatively affect the performance of these programs. That is, “without the proper understanding and support of the people who experience its painful consequences on a daily basis, any one or more of the many parts of the program may not be implemented effectively.”¹⁰ Understanding why citizens are dissatisfied with the programs may help governments ensure that these programs are applied in the manner they were designed to be.

To understand citizen satisfaction with aid programs this paper is organized into six sections. Section Two gives a brief overview of Ghana’s political and economic history. Section Three will examine some of the theory related to public opinion of government performance. Through multivariate analysis, in the form of an Ordinary Least Squares Regression, Section Four will analyze public opinion in Ghana related to the performance of ERP. This analysis will help to show how Ghanaians evaluate ERP and what the government can do to improve citizen satisfaction with the program. By finding and addressing the sources of public discontent, the Ghanaian government will improve its legitimacy and increase support for democracy in general. Section Five will explore the results of this analysis and look to potential solutions for Ghana and structural adjustment programs in general. Finally, I will conclude by summarizing my findings.

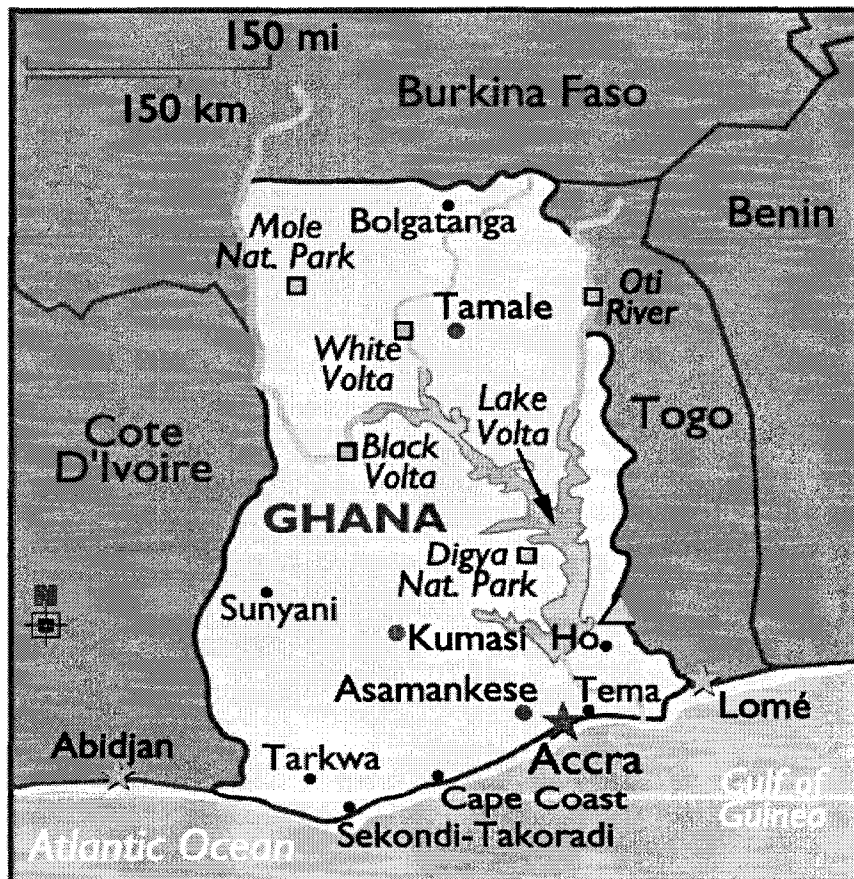
⁹ Bernd Hayo and Don Chull Shin, “Popular Reaction to the Intervention by the IMF in the Korean Economic Crisis,” *Policy Reform* (2002): 89.

¹⁰ Ibid., 90

THE CASE OF GHANA

A coastal state in West Africa, Ghana was traditionally among the more prosperous states in the region. Abundant gold reserves provided the state with an important place in trans-Saharan trade routes as early as the thirteenth century, earning it the title of the Gold Coast and drawing interest from European states looking for a direct trade route with Africa.¹¹ The Portuguese were the first Europeans to establish a

Figure 1. Map of Ghana



Map copyright www.worldatlas.com. Last accessed July 10, 2006.

¹¹ Library of Congress Country Studies: Ghana, available at <http://lcweb2.loc.gov/frd/cs/ghtoc.html>. Last accessed July 12, 2006.

presence in Ghana with a fortified trading post at Elmina in 1482.¹² The Portuguese retained this position for nearly a century before the arrival of the Dutch, who were followed by the English, Danish and Swedish in later years. The rising interest in establishing a coastal African base for the emerging slave trade in the seventeenth century led to a great deal of competition in the Gold Coast. After several centuries of struggle within the state, England became the major European power in the Gold Coast by the late nineteenth century. In 1874 England established the Gold Coast Colony, eventually uniting the tribes and regions that make up Ghana today under one administrative unit.¹³ British rule helped to stabilize the Gold Coast economy, while the introduction of the cacao tree provided a huge boost to Ghana's international trade. By 1920 Ghana produced more than half the global yield of cocoa.¹⁴

Ghana received independence from Britain in March, 1957, becoming the first free state in sub-Saharan Africa.¹⁵ Until this point Ghana had been a relatively wealthy state, especially when compared to its neighbors in West Africa. The stabilization of the economy during the colonial period provided the country with a well-developed infrastructure for trade and a relatively advanced education system.¹⁶ On the strength of cocoa exports President Nkrumah received foreign loans to diversify and expand from a primarily agricultural country into a mixed agricultural-industrial economy. The crash of international cocoa prices in the mid-1960s destroyed the stability of the Ghanaian economy, creating the first debt problems for Ghana. Ghana's economic collapse and subsequent failure to recover can be attributed to a number of factors, including "falling

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ CIA: The World Factbook: Ghana. (2006) Accessed through EBSCOhost.

¹⁶ Library of Congress Country Studies: Ghana.

world market prices for primary commodities, economic mismanagement, political instability and an overvalued currency."¹⁷ In February 1966 the military overthrew the Nkrumah administration, a sign of the political instability to come; out of the ten political leaders that Ghana has had since independence, only 4 came to power through elections.¹⁸

Frequent regime changes failed to ignite the economy and Ghana continued to struggle with international debt, culminating in the adoption of the Economic Recovery Program (ERP) in 1983. This program was adopted by the Provisional National Defense Council (PNDC), a military government led by Lieutenant Jerry Rawlings that came to power in 1981. The PNDC suspended the constitution and banned multiparty politics upon coming to power. By the late 1980s, the need for more loans from the IMF helped to pressure the government's return to democracy. The first two elections, in 1992 and 1996, resulted in the continued control of the PNDC and Rawlings. In 2000, however, John Kufuor defeated former vice-president Atta Mills in a free and fair election that produced the first change in power under the democratic constitution. Kufuor was re-elected in 2004, an election that was praised for remaining free of controversy in a year when other major elections did not.¹⁹ For the time being, at least, Ghana seems to have a working democracy.

¹⁷ Konadu- Agyemang, "Structural Adjustment Programmes and the international tourism trade in Ghana 1983-99," 192.

¹⁸ Ibid., 192.

¹⁹ Notable elections in 2004 that were highly controversial included the US and Ukraine. Cameron Duodu, "Ghana Does Itself Proud," *New African* (January 2005): 27.

Ghana's Economy and the ERP

Today Ghana is seen by many “Western donors as being one of the few relative success stories in Africa concerning both economic and political liberalization.”²⁰ ERP

Table 1.						
RECENT ECONOMIC INDICATORS IN GHANA ²¹						
	2000	2001	2002	2003	2004	2005
GDP (US\$bn)	--	\$5.3	\$6.2	\$7.6	\$8.9	\$10.7
Real GDP Growth (% Change)	--	4.2	4.5	5.2	5.8	5.8
Total Debt (US\$bn)	\$5.5	\$6.9	\$7.2	\$6.5	\$6.1	--

in Ghana helped prevent a complete economic collapse, resulting in consistent GDP growth averaging 6 percent over the past decade, reduced inflation, a budgetary surplus, and increased export earnings.²² Inflation was reduced from 123 percent at the beginning of ERP in 1983 to 29 percent by 1997.²³ Additionally, ERP has led to a strengthened labor movement in Ghana, which generally supports the neo-liberal reforms taking place.²⁴ As noted above, the introduction of ERP also coincided with the beginnings of Ghana's democratic transition as the PNDC was pressured into holding elections in the early 1990s to receive additional assistance from the IMF. The statistics above are examples of the macroeconomic and political factors that the IFIs, through their major donors, use to measure the success of their programs.

²⁰ Piet Konings, “Organised labour and neo-liberal economic and political reforms in west and central Africa,” *Journal of Contemporary African Studies* (September 2003): 448.

²¹ Data collected from World Bank World Development Indicators and “Economic Indicators,” GhanaWeb, available at <http://www.ghanaweb.com/GhanaHomePage/economy/statistics.php>. Last accessed July 6, 2006.

²² Kwadwo Konadu-Agyemang, “The Best of Times and the Worst of Times: Structural Adjustment Programs and Uneven Development in Africa: The Case of Ghana,” *Professional Geographer* (August 2000): 469.

²³ *Ibid.*, 474

²⁴ *Ibid.*

These statistics do not tell the whole story, however, as Ghana's economy also shows some key weaknesses. Unemployment was estimated at 20.3 percent in 2002.²⁵ While Ghana's exports have more than doubled from 1990-2003, it is still only the 9th largest exporter in Sub-Saharan Africa.²⁶ Additionally, total external debt for Ghana doubled over the same period, although their debt burden to the IMF in particular was cut by almost 40 percent.²⁷ As a percentage of GDP external debt increased from 31.6 percent in 1980 to 95 percent by 1995.²⁸ As Table 1 shows, Ghana's total debt reached a peak of \$7.2 billion in 2002, exceeding GDP. GDP growth has been promising, and the growth of Ghana's debt has been slowed, but the country still faced a massive debt burden in 2004. At the macroeconomic level, Ghana has enjoyed many recent successes, but these indicators suggest that not everything has been improving. Additionally, at the microeconomic level "living conditions have grown harsh for the rural poor as access to education, health and other social services has been severely curtailed under structural adjustment."²⁹

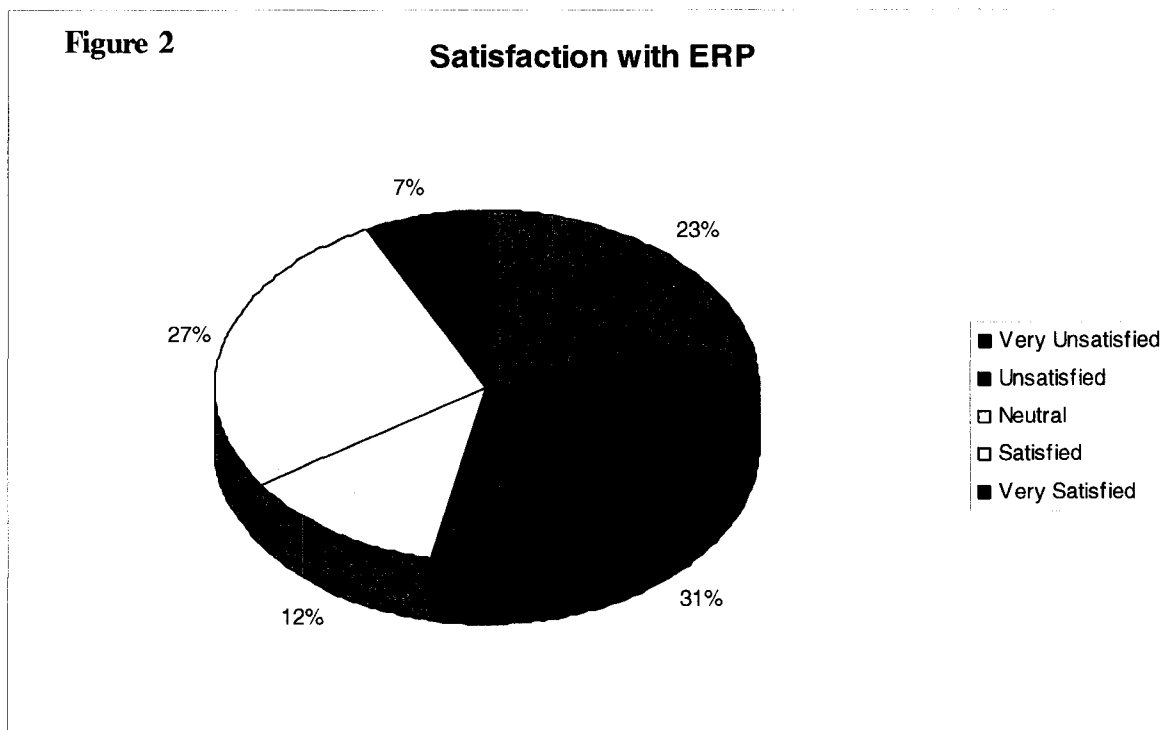
²⁵ "Economic Indicators," Ghana Web.

²⁶ World Bank World Development Indicators, Section 4: The Economy. Available at <http://devdata.worldbank.org/wdi2005/toc.htm> Accessed November 8, 2005.

²⁷ World Development Indicators, Section 4.

²⁸ Konadu-Agyemang, "The Best of Times and the Worst of Times," 474.

²⁹ Ibid., 481.



To evaluate citizen satisfaction with ERP, this research utilizes the Afrobarometer survey, which looked specifically at this issue. In the Afrobarometer Ghanaians were asked “*Have you heard about the Economic Recovery Program (ERP)?*” Those that had were then asked “*How satisfied or unsatisfied are you with the ERP?*” Ghanaians in general are not satisfied with ERP, with only 34% expressing some measure of satisfaction, as shown in Figure 2. Many Ghanaians, both within the government and in the private sector, think that some of the prescriptions in the program were either introduced too soon or in the wrong dosage.³⁰

³⁰ Cadman Atta Mills, “Structural Adjustment in Sub-Saharan Africa,” *Economic Development Institute of The World Bank, Policy Seminar Report* (October 1989): 15.

LEGITMACY AND SUPPORT FOR THE GOVERNMENT

The instability related to widespread protests can be a problem in democracies without a long history of economic success. When high levels of regime support exist prior to economic performance crises, government legitimacy is less likely to be affected.³¹ A lack of legitimacy is more likely to lead to the breakdown of democratic political systems than performance dissatisfaction. When high levels of legitimacy have not been established prior to economic difficulties, however, performance dissatisfaction can lead to regime instability.³² Often times in developing states legitimacy is “heavily influenced by, or almost a function of, the *performance* of the regime.”³³ If the regime fails to meet the peoples’ expectations over time, a loss of legitimacy is likely. In developing countries under SAPs the performance of the regime is often closely linked to the performance of the programs that control the economy.

Emotions play an important role in an individual’s opinion of government performance. Conover and Feldman studied the effect of cognitive reactions compared to affective reactions on unemployment, satisfaction with personal financial situation, and provision of government benefits.³⁴ Conover and Feldman found that cognitive reactions to one’s personal economic situation have a smaller effect on satisfaction with government performance than emotional reactions to these same variables. Emotions

³¹ Steven Finkel, Edward Muller and Mitchell Seligson “Economic Crisis, Incumbent Performance and Regime Support: A Comparison of Longitudinal Data from West Germany and Costa Rica,” *British Journal of Political Science* (July 1989): 350.

³² Ibid.

³³ Hans-Dieter Klingemann, “Mapping Political Support in the 1990s: A Global Analysis,” in *Critical Citizens: Global Support for Democratic Governance*, Ed. Pippa Norris (New York: Oxford University Press, 1999): 31.

³⁴ Pamela Johnston Conover and Stanley Feldman, “Emotional Reactions to the Economy: I’m Mad as Hell and I’m Not Going to Take It Anymore,” *American Journal of Political Science* (February 1986): 71.

play an important role in building support for government policy. When citizens are dissatisfied with government performance over a long period of time, it is likely to affect their emotions towards the government.

A variety of researchers have concluded that the political and economic history of a state matters when it comes to how much of an affect the performance of the economy has on evaluations of government performance. Clarke, Dutt and Kornberg discuss two competing theories regarding public attitudes towards democratic political systems. The cultural values and norms that are developed in older, economically successful democracies build a base of support that strengthens confidence in the democratic system.³⁵ In a democratic state experiencing protracted prosperity, an increase in public demands on the government is likely to occur as the belief that “government *can* and *should* deliver high levels of economic performance remain widespread and durable.”³⁶ The second theory they discuss is political economy.

Political economy theory suggests “public support for incumbent governments...is driven by reactions to the performance of national economies and judgments concerning governments’ effectiveness in managing them.”³⁷ Short term economic discontent can lead to political and social change while a sharp decline in economic well-being may erode people’s faith in the current system and create demands for radical political change. When economic development has not occurred in these states, it is more likely that citizens will elect fundamentalist candidates, regardless of the likelihood that their election will result in a turn to non-democratic forms of

³⁵ Clarke, Dutt, and Kornberg, “The Political Economy of Attitudes toward Polity and Society in Western European Democracies,” 1000.

³⁶ Ibid.

³⁷ Ibid., 999.

government.³⁸ In newly democratic countries citizens will sacrifice democratic choice if it is more likely that non-democratic rule will result in an improved economy.

The U.S. and the IFIs have encouraged democracy as a precursor for trade and financial assistance. What this fails to consider is that fragile, nascent democracies are at the greatest risk of returning to a non-democratic state in the face of economic difficulties. Kaplan argues that democracy cannot be forced upon a society with weak economic and social foundations, but instead will emerge naturally “as a capstone to other social and economic achievements.”³⁹ Newer democracies, like Ghana, may not have existed long enough to instill the necessary confidence in their citizens to whether economic crises after years of instability and authoritarian rule. The legitimacy of a democratic regime can also be threatened by compromises and coalitions which an authoritarian government free from opposition need not deal with. This is not to say that dictatorships and other non-democratic forms of government are necessarily any better or worse than democracy but that one may be better suited to a particular country at a particular time.⁴⁰

The fact that these developing states are often forced to cede economic decision making power to the IMF in order to receive assistance does not help. When a government stands beside the IMF and World Bank in implementing an unpopular program that the people feel is impeding their economic potential, that government’s legitimacy may be further reduced. “When people perceive economic conditions to be externally controllable, they react with anger directed at who they perceive to be

³⁸ Kaplan, “Was Democracy Just a Moment,” 58.

³⁹ Ibid., 60.

⁴⁰ Kaplan, “Was Democracy Just a Moment,” 59.

responsible.”⁴¹ This suggests that when people perceive an externally implemented program such as ERP to be performing poorly and not improving the economy, they will react negatively to it and in turn, the government implementing it.

As noted above, Ghanaians are dissatisfied with the performance of the ERP. The dissatisfaction in Ghana is not an isolated case: backlash to IMF and World Bank reforms have led to protest in a variety of countries, including Argentina, Venezuela and Bolivia.⁴² Argentina was dealt a severe economic blow when the weaknesses of its economic restructuring became apparent and popular dissatisfaction with the IFIs continues. Venezuela and Bolivia, on the other hand, have been moving away from some policies introduced under structural adjustment on the strength of popular opinion. Recent instability in each of these states has given way to high levels of support for the governments and increased economic growth.

Argentina at times has been both the shining example given by proponents of the neoliberal policies supported by the IFIs and, later, the case used most frequently by opponents of these policies. The early years of structural adjustment in Argentina showed promise for continuing the economic growth of this middle class country. The combination of pressure from the loans with widespread corruption resulted in a fragile economy that crashed back to earth in 2001.⁴³ With the freezing of personal bank accounts Argentines rioted, protesting the government’s actions. Today many of the unemployed have joined together to form groups of *piqueteros* who protest the country’s

⁴¹ Conover and Feldman, “Emotional Reactions to the Economy,” 72.

⁴² Zoe Chafe, “World Bank Involvement in Economic Reform: ‘A Warning Flag’?” *World Watch* (November/December 2005): 9.

⁴³ Ziya Onis, “Argentina, The IMF, and the Limits of Neo-Liberal Globalization: A Comparative Perspective,” *The Review of International Affairs* (Spring 2004): 375.

continued struggles with unemployment by blocking roads to disrupt business.⁴⁴ The economy has shown signs of a slow recovery, but Argentina is still plagued by debt and is at risk for long term dependency on the IMF.⁴⁵

Venezuela represents another South American state that has been dealing with instability in recent years. Under President Hugo Chávez, Venezuela has been shifting away from the policies of the IMF that dramatically increased extreme poverty and demands for radical social change in the state.⁴⁶ Despite claims by the US and the IFIs that the government has made undemocratic decisions and mishandled the economy, Chávez enjoys widespread support.⁴⁷ After weathering an opposition-led coup (endorsed by the US) Chávez has maintained his popularity and satisfaction with democracy in Venezuela is second only to Uruguay in South America. The coup contributed to a brief economic decline 2002 and 2003, but the economy quickly rebounded and Chávez has been focusing on improving social programs in education, health care and job training.⁴⁸ The changes in Venezuela accompanying economic growth have given the people hope for a stable future after years of instability and economic uncertainty.

Like Venezuela, Bolivia has dealt with instability in recent years as President Evo Morales responds to public support in changing policies introduced by the IFIs. The fight against water privatization in Cochabamba sparked country wide civic unrest leading to several deaths and over 50 arrests.⁴⁹ The government was finally forced to curtail a water privatization contract under fears that government stability may be in jeopardy. More

⁴⁴ "Pickets Unfenced," *Economist* (December 12, 2003): 48.

⁴⁵ Nouriel Roubini and Brad Setser, "Breaking the IMF Habit," *Foreign Policy* (Nov/Dec, 2004): 84.

⁴⁶ Bernardo Alvarez Herrera, "A Benign Revolution," *Foreign Affairs* (July/August 2006): 201.

⁴⁷ *Ibid.*, 200.

⁴⁸ *Ibid.*

⁴⁹ Jim Shultz, "Bolivians Win Anti-Privatization Battle," *NACLA Report on the Americas* (May/June 2000): 46.

recently Morales has nationalized the state's national gas industry in response to a 2004 referendum in which nationalization won overwhelmingly.⁵⁰ In response to strong public opinion the government is reversing the privatization trend pushed by the IMF. The goals of this privatization program include increasing government revenues and building the internal market in Bolivia by providing low interest loans to local industry. These policy changes have drawn the ire of the U.S. administration, with President Bush discussing the erosion of democracy in Bolivia despite the fact that these measures are based on widespread popular opinion.⁵¹

These examples show the struggles that developing countries have when dealing with unpopular programs. While the citizens may be more satisfied, the international community may not be as forgiving. The relationship between Chávez and President Bush is severely strained due to differences of opinion. The Bush administration views the changes in Latin America as a threat, going so far as an attempt to list Venezuela as a state sponsor of terrorism.⁵² Developments such as this will make it difficult for Venezuela to turn back to the IMF in the case of an economic crisis. SAPs have changed the manner in which loans are given and the acceptance of democracy and other policies of the IFIs is crucial to maintaining their support.

Structural Adjustment Programs

The conditionality attached to loans has long been a characteristic of international lending, but comprehensive structural adjustment programs did not become popular until the early 1980s. In the wake of an international debt crisis, the IFIs turned to structural

⁵⁰ Christian Parenti, "Morales Moves," *Nation* (June 19, 2006): 21.

⁵¹ Ibid.

⁵² Herrera, "A Benign Revolution," 201.

adjustment as the primary tool for rebuilding struggling economies.⁵³ In the late 1970s increasing oil prices, falling prices for many developing country exports, and rising interest rates made repayment of existing loans difficult for developing countries throughout Latin America and Africa.⁵⁴ A variety of internal policy mistakes and external economic developments helped to deepen the crisis in Africa as countries began to rely on external aid instead of improving the performance of domestic economies.⁵⁵ By 1980 the IFIs began to look to SAPs with the aim of “restoring incentives for production while addressing the public sector spending issue.”⁵⁶ The goal of these programs was to reduce the influence of the government on the economy, turning to the free markets for economic growth.

In the early 1980s structural adjustment began to take hold in sub-Saharan Africa. Loans began to feature phased disbursements, allowing the IFIs to ensure that a country meets its commitments prior to receiving additional aid.⁵⁷ The devaluation of currencies, liberalization of investment regulations, and trade deregulation have all been prescribed by the IFIs to help open developing countries to the world economy.⁵⁸ By opening their economies and devaluing currencies, exports would increase. The World Bank led the

⁵³ Oscar Ugarteche, “The Structural Adjustment Stranglehold: Debt and underdevelopment in the Americas,” *NACLA Report on the Americas* (July/August 1999): 21.

⁵⁴ *Ibid.*, 22.

⁵⁵ Mills, “Structural Adjustment in Sub-Saharan Africa,” 6.

⁵⁶ *Ibid.*

⁵⁷ “IMF Conditionality,” International Monetary Fund Factsheets, September, 2005, available at <http://www.imf.org/external/np/exr/facts/conditio.htm>.

⁵⁸ Specific policies include: price reforms to eliminate or reduce subsidies; reducing central government budget deficits; restructuring and rationalizing state owned enterprises, generally through privatization; liberalizing external trade by removing barriers to free trade and deregulating private industry; improving exchange rate policies; and providing incentives to the public sector. Mills, “Structural Adjustment in Sub-Saharan Africa,” 5; Bruce Rich, “World Bank/IMF: 50 Years is Enough,” in *Fifty Years is Enough*, Ed. Kevin Danaher (Boston: South End Press, 1994): 3; and “Frequently Asked Questions About the IMF/World Bank,” 50 Years is Enough Network Factsheets, (March 2004): 3. Available at http://www.50years.org/factsheets/FAQ-FactSheet_3.9.04.pdf. (Accessed February 15, 2006.)

push for developing countries to commit to an export orientation to cure poor economic performance.⁵⁹

Critics of SAPs claim that this can marginalize developing economies, placing them in delicate situations. According to some critics the SAPs have placed these countries in an economic system in which developing nations have no hope of bettering their situation.⁶⁰ Instead of working towards self-sufficiency, developing economies have been encouraged to rely on export production for growth, which often puts them in niche positions in the global economy, limiting potential growth.⁶¹ Several nations, including the Asian Tigers, have experienced rapid growth under the guidance of the IFIs, but this growth has generally slowed and these nations are still far from gaining international economic power. The Asian Financial Crisis was a great shock to these successful economies and required emergency aid from the IMF to aid in recovery.⁶² The sovereignty of developing governments has been compromised as they are forced to comply with the conditions set by the IFIs, or risk losing huge amounts of international aid.⁶³

This loss of sovereignty can take many forms, but generally occurs when aid is withheld until further structural adjustments occur, often in the form of privatization plans. In Ghana, for instance, the British withheld \$300 million in aid until the government agreed to privatize water, with control to end up in the hands of

⁵⁹ Dali Yang, "China Adjusts to the World Economy: The Political Economy of China's Coastal Development Strategy," *Pacific Affairs* 64 (Spring 1991): 42.

⁶⁰ Rich, "World Bank/IMF," 6.

⁶¹ Ibid.

⁶² Martin Sengupta, "Is China the Next Superpower?" *Defense and Security Analysis* (December 2003): 393.

⁶³ S.K. Agyemang-Duah, "Hypocrisy or Deception?" *New African* (January 2003): 16.

multinational corporations.⁶⁴ This plan was widely protested in Ghana and privatization never occurred, while similar plans have been halted in Bolivia and other developing nations after widespread popular dissent.⁶⁵ Water privatization is among the most fiercely contested areas of policy that structural adjustment is attempting to change.

In addition to international economic factors, SAPs have also been widely criticized for the effects they have on citizens in everyday life. The cuts in public spending that have accompanied structural adjustment have reduced the levels of health care and education, especially in rural areas of developing countries.⁶⁶ The reduction in social services has also contributed to gender inequalities in these countries as females have been disproportionately affected by budget cuts.⁶⁷ In Ghana healthcare and education have been severely cut under ERP, dropping from 7-10 percent of government expenditure and 4.3 percent in 1982, respectively to 1.3 percent and less than 1 percent.⁶⁸ With these reductions urban residents enjoy much better access to social services than rural residents, continuing the inequality between regions.⁶⁹

Proponents of structural adjustment point to the many macroeconomic successes that developing countries have enjoyed since their implementation. In Ghana, the ERP has helped arrest the economy from a complete collapse. ERP has

⁶⁴ Ibid.

⁶⁵ Shultz, "Bolivians Win Anti-Privatization Battle," 46; and Simon Robinson, "Keeping Water Out of Private Hands," *Time* (April 5, 2004): 60.

⁶⁶ Folasode Iyun, "The Impact of Structural Adjustment on Maternal and Child Health in Nigeria," in *Women Pay the Price: Structural Adjustment in Africa and the Caribbean* ed. Gloria Emeagwali (Trenton, NJ: Africa World Press, 1995): 35.

⁶⁷ Emily Archer, "The Wells are Drying Up: Water & Women in Ghana," *Off Our Backs* (March/April 2005): 23.

⁶⁸ Konadu-Agyemang, "The Best of Times and the Worst of Times," 476.

⁶⁹ Ibid., 477.

resulted in consistent growth of GDP averaging 6 percent over the past decade, reduced inflation levels from 123 percent in 1983 to 29 percent by 1997, created a budget surplus, and increased export earnings.⁷⁰

SAPs in Sub-Saharan Africa have also been praised for the restructuring and rationalization of state owned enterprises, reduction or abolishment of food subsidies, liberalizing of external trade and providing added incentives for the export sector.⁷¹ The magnitude of early GDP growth was related to the commitment to reform, especially currency devaluation.⁷² Proponents claim that in those countries that have “undertook reforms and achieved some increase in growth, the majority of the poor are probably better off and almost certainly no worse off.”⁷³

If citizens are better off than they were before ERP, it must be questioned why they are dissatisfied with the program. To help understand this question this research will now briefly discuss the instrument used for the data below, the Afrobarometer Survey, which will be followed by a discussion of the variables to be studied.

⁷⁰ Konadu-Agyemang, “The Best of Times and the Worst of Times” 469.

⁷¹ Mills, “Structural Adjustment in Sub-Saharan Africa,” 21.

⁷² Christine Jones and Miguel Kiguel, “Adjustment in Africa: Reforms, Results and the Road Ahead,” World Bank Policy Research Report (Oxford: Oxford University Press, 1994): 6.

⁷³ Ibid., 7.

OPERATIONALIZATION AND MEASUREMENT

The Afrobarometer in Ghana

The Afrobarometer Survey “is an independent, nonpartisan research project that measures the social, political and economic atmosphere in Africa.”⁷⁴ It has been conducted in 18 countries throughout Africa in order to gather data about trends and opinions on the continent. This study will focus on the first round of interviews conducted in Ghana in 2000. Ghana first implemented structural adjustment programs in 1983 under the title Economic Recovery Program (ERP), becoming the first country in sub-Saharan Africa to undergo structural adjustment.⁷⁵ The Afrobarometer Survey asked several questions dealing with the Economic Recovery Program and the people’s opinion of it.

In this first round of the Afrobarometer in Ghana, 2004 respondents completed the questionnaire. These surveys were answered during face-to-face interviews. The Afrobarometer is currently entering its third round of surveys. The goal is to measure the social, political and economic atmosphere in Africa and, eventually, to analyze trends in public attitudes. For the following analysis only 700-750 respondents were considered on each variable, as only those who acknowledged that they had heard of ERP gave opinions on their satisfaction with it. For those that had heard of ERP, they were often able to cite its purposes accurately, but this represents only about 41% of the population. Of those that had heard of ERP, 17% did not know its purpose.

⁷⁴ “Afrobarometer,” accessed at <http://www.afrobarometer.org>.

⁷⁵ Hilson, “Structural Adjustment in Ghana,” 53.

Dependent Variable: Satisfaction with ERP

As this suggests, despite claims of success by the IFIs implementing these programs, many citizens in countries receiving aid are dissatisfied as evident in Figure 1. That these programs are unpopular in recipient countries suggests that they are not accomplishing their goal of economic development. For this study the dependent variable is public satisfaction with aid programs in Ghana. Understanding why citizens are dissatisfied with ERP will help in remedying the situation and maintaining government legitimacy.

The governments in developing countries are in a difficult position as they deal with the unpopularity of these programs. The research above shows that it is crucial for new democracies to maintain their legitimacy to avoid a return to authoritarian governments. It has also shown that in new democracies, which may have only a tenuous grip on their legitimacy to begin with, the performance of the economy has a significant effect on the government's legitimacy. For developing countries giving up power over economic decisions to outside interests can be a dangerous proposition. At the same time, these countries cannot abandon the programs already in place, as this would likely result in economic chaos.

This research will argue that as the tangible benefits provided by the government decrease and inequality of opportunity increases, dissatisfaction with SAP and, in turn, the government, will result. Tangible benefits are often measured in the social services that the government provides the people, ensuring their security and, ideally, their health. Equality refers to the tendency of programs to help only select groups in the population, even if this is just the perception of citizens. These statistics are not measured by the

IFIs, who judge the success of the programs on macroeconomic statistics and their advice is geared towards macroeconomic performance. Because citizens and IFIs measure success differently, it creates a problem for the governments of developing countries with securing their legitimacy.

How do the citizens of Ghana view the IMF and the World Bank? While the Afrobarometer did not ask specifically about these organizations, it did ask about the program they are responsible for in Ghana, the Economic Recovery Program (ERP). This study will utilize Ghanaian public opinion of the ERP to judge their satisfaction with the IFIs. In the Afrobarometer Ghanaians were asked “*Have you heard about the Economic Recovery Program (ERP)?*” Those that had were then asked “*How satisfied or unsatisfied are you with the ERP?*” Responses were measured on a scale with possible responses of 1, very unsatisfied; 2, unsatisfied; 3, neutral; 4, satisfied; and 5, very satisfied. As Figure 1 shows, only 34% of Ghanaian claimed that they were Satisfied or Very Satisfied with the ERP.

It is the thesis of this study that the driving factors behind satisfaction with SAPs are the social policy outputs and perceived equality of the program. If the people perceive that certain groups are receiving favorable treatment, or that they are not seeing any benefits from the programs, they are unlikely to express satisfaction with the programs. By ensuring a more equitable program that conveys tangible benefits to average citizens, the governments implementing them will be much more likely to receive popular support. In addition to the social policy outcomes and inequality issues, the analysis will also look at several demographic characteristics to determine if any trends exist across Ghanaian society of support for the ERP.

Independent Variables: Government Performance Opinion Indicators

Because the performance of the government and its economic programs are crucial for maintaining legitimacy, this section will focus on several indicators of government performance and how they relate to satisfaction with ERP. The thesis of this research is that the tangible benefits provided by the government and the inequality of the governments programs are the important indicators of satisfaction with ERP. Tangible benefits will be measured by three separate variables: access to water, job creation, and satisfaction with ones' economic situation compared to five years before. Inequality is measured by just one variable, but it deals directly with whether Ghanaians believe the ERP to be discriminatory.

Inequality is a concern for governments that have adopted structural adjustment programs as they seek to maintain legitimacy. After long periods of regional inequality rural areas are home to 64 percent of Ghana's population and 80 percent of the poor.⁷⁶ Inequality can have "a major impact on the grievances articulated by communal groups."⁷⁷ In Ghana the southern regions have typically received much higher levels of investment while those in the north are sometimes forced to relocate in order to find jobs.⁷⁸ The IFIs claim that structural adjustment programs will reduce inequality by providing development opportunities to both the rich and poor.⁷⁹ In Ghana, however, critics have argued that inequality is in fact increasing under ERP.⁸⁰

⁷⁶ Konadu-Agyemang, "The Best of Times and the Worst of Times," 475.

⁷⁷ Ted Robert Gurr, "Why Minorities Rebel: A Global Analysis of Communal Mobilization and Conflict Since 1945," *International Political Science Review* (April 1993): 188.

⁷⁸ Konadu- Agyemang, "Structural Adjustment Programmes and the international tourism trade in Ghana 1983-99," 197

⁷⁹ Jones and Kiguel, "Adjustment in Africa," 6.

⁸⁰ Konadu-Agyemang, "The Best of Times and the Worst of Times," 476.

As economic and democratic development occur, the people are conditioned to expect greater equality of opportunity.⁸¹ The macroeconomic successes in Ghana suggest that this expectation should exist in Ghana today. If the government cannot overcome this inequality, it is likely that ERP will not be accepted by those who feel disadvantaged. The ERP was designed with this in mind, hoping to create a more equal society. Whether this has been achieved, however, is debatable, and the Afrobarometer asked respondents specifically if they agreed with statement A or B from the following: “*A. The Economic Recovery Program (ERP) has helped most people; only a minority have suffered. B. The Economic Recovery Program (ERP) has hurt most people and only benefited a minority.*” They were then asked whether they agreed strongly or only somewhat. These answers were then coded as 1, agree strongly with A; 2, agree somewhat with A; 3, agree somewhat with B; 4, agree strongly with B. Thus as one progresses through the responses from 1 to 4, opinion of ERP shifts from mostly non-discriminatory to mostly discriminatory.

Turning to the tangible benefits variables, access to water will be considered first. Regular water access is a necessity of life, yet many Ghanaians struggle to access sufficient supplies of water on a daily basis. The scarcity of necessary resources can pose a major risk to the stability of society and can lead to the intensification of material inequality within states.⁸² Citizens that do not have proper access to safe water are being denied an important component of a healthy life. It has been estimated that 70 percent of

⁸¹ Clarke, Dutt and Kornberg, “The Political Economy of Attitudes toward Polity and Society in Western European Democracies,” 1000.

⁸² Ted Robert Gurr, “On the Political Consequences of Scarcity and Economic Decline,” *International Studies Quarterly* (March 1985): 53-55.

disease in Ghana is water related.⁸³ It is generally the poor that deal most frequently with resource scarcity, and this is definitely the case for access to water in Ghana. In Ghana most of the urban population, 93 percent in 2002, has had reasonable access to an improved water source, but the story changes for rural residents.⁸⁴ In 1990 only 36 percent of rural residents had access to an improved water source with this percentage almost doubling to 68 percent by 2002.⁸⁵ This still leaves nearly one-third of the rural population without access to a reliable water source.

Social spending and publicly owned services, like sanitary water, are often the first areas affected by structural adjustment. As one of the more contentious issues of SAP policy, how a government handles the distribution of water has become a very important issue in the developing world. Water privatization is a possible solution, but Ghanaians and citizens throughout the developing world have soundly rejected this alternative, especially since most would be unable to afford private water sources.⁸⁶ Under the pressures of the ERP, water access is not always a priority, although it is an important tangible benefit that many people are judging the government's performance by. When poor water distribution remains in public hands, as it does in Ghana, the government is responsible when people are unable to get clean water. Many rural Ghanaians are unable to regularly access an improved water source, reflecting on the government's inability to provide tangible benefits for the people. The Afrobarometer asked "*over the past year, how often, if ever, have you gone without: Water for domestic*

⁸³ Archer, "The Wells are Drying Up," 23.

⁸⁴ An improved water source is defined as "a household connection, public standpipe, borehole, protected well or spring, or rainwater collection." Reasonable access is defined as the availability of at least 20 liters per person per day from a source within one kilometer of the dwelling. From World Bank Development Indicators, Section 3: The Environment.

⁸⁵ Ibid.

⁸⁶ Robinson, "Keeping Water Out of Private Hands," 60.

use?” Responses were measured on a scale from 1-4 with 1 meaning never; 2, occasionally; 3, frequently; and 4, all the time.

Another social policy output is measured in citizens' opinions of how the government has performed in creating jobs. Many jobs have been lost in Ghana as a result of the retrenchment policies in state owned enterprises under the ERP. Clarke, Dutt and Kornberg found that while growing unemployment suppressed calls for radical change while heightening demands for social reform.⁸⁷ Joblessness often will “diminish people's feelings of self-esteem and personal efficacy,” which will lead them to lowered confidence in the ability to effect changes in the government.⁸⁸ However, in Ghana and other developing countries where SAP resulted in many jobs lost to retrenchment of public sector jobs, the government may be found to be more to blame for unemployment.

In Africa, wage-workers have been the most adversely affected by structural adjustment, facing wage restraints, rising consumer prices, suspension of benefits and increased job insecurity.⁸⁹ In Ghana regional inequalities intensify the situation, especially for those in the typically neglected northern regions, where many of the country's unemployed reside. Continued underemployment in Ghana has the potential to increase dissatisfaction with ERP. Ghanaian public opinion of job creation within the country was measured by the question of “*how well would you say the government is handling the following problems: Creating jobs?*” Responses were measured on a 4-point scale with the following meanings: 1, very badly; 2, quite badly; 3, fairly well; and 4, very well.

⁸⁷ Clarke, Dutt and Kornberg, “The Political Economy of Attitudes toward Polity and Society in Western European Democracies,” 1015.

⁸⁸ Ibid., 1000.

⁸⁹ Konings, “Organised labour and neo-liberal economic and political reforms in west and central Africa,” 488.

The final measure of tangible benefits provided by the government is satisfaction with one's personal situation compared to five years before. Positive feelings of life satisfaction have been shown to influence satisfaction with democracy and reduce demands for social change and reform.⁹⁰ If ERP is having the intended consequences of improving Ghana's economy, it is likely that over time Ghanaians will be more satisfied with their personal situations. The Afrobarometer asked residents "*when you look at your life today, how satisfied do you feel compared with five years ago?*" Responses were measured on a 5-point scale where 1 was much less satisfied; 2, slightly less satisfied; 3, about the same; 4, slightly more satisfied; and 5, much more satisfied. By comparing their situation to five years earlier, residents will show indirectly whether they believe the ERP is helping.

Control Variables

In addition to the provision of tangible benefits and perceptions of inequality, the public's satisfaction with ERP may be influenced by long term factors as well. This research will consider four demographic characteristics as control variables. Age, gender, education and income were each considered and included in the multivariate regression analysis.⁹¹

⁹⁰ Clarke, Dutt and Kornberg, "The Political Economy of Attitudes toward Polity and Society in Western European Democracies," 1015.

⁹¹ Age was coded into 5 categories: 18-29, 30-39, 40-49, 50-59 and 60+. Gender was coded as 1, male, and 0, female. Education was coded into 5 categories: 1, no formal education; 2, primary school, 1-8 years; 3, high school, 9-12 years; 4, college, 13-16 years; and 5, post-graduate work, 17 or more years. Finally, income was coded into 8 categories: 0, none; 1, less than 50,000; 2, 50,001-100,000; 3, 100,001-300,000; 4, 301,000-500,000; 5, 501,000-700,000; 6, 701,000-1,000,000; 7, 1-5 million; and 8, over 5 million. All totals are in *cedis*, the local currency for Ghana.

- H₁: As belief that government policy was discriminatory increased, satisfaction with ERP will decrease.
- H₂: As satisfaction with economic condition today versus five years previous increases, satisfaction with ERP will increase as well.
- H₃: As individuals go without water for domestic use more frequently, their satisfaction with ERP will decrease.
- H₄: As an individual's opinion of government job creation improves, satisfaction with ERP will increase as well.

Hypotheses

This section will examine the variables above and discuss hypotheses as to how they relate to citizens' satisfaction with ERP. This will allow for examination of how each affects satisfaction with ERP and will provide a closer look at what governments can focus on to improve the implementation of these programs in the eyes of average citizens. After examining each individual variable's influence on satisfaction with ERP through bivariate analysis, a multivariate model will be considered that examines their collective effect.

H₁: As belief that government policy was discriminatory increased, satisfaction with ERP will decrease.

As the macroeconomic successes of Ghana gain praise from the international community, it is expected that those who feel like they have not benefited from equality of opportunity will be unhappy with the current system.⁹² The ERP was designed to help Ghana overcome a long history of regional inequality. If over time Ghana's level of inequality is not changing, or is actually increasing as some critics have claimed, it is unlikely that citizens will be satisfied with the program.⁹³

⁹² Clarke, Dutt and Kornberg, "The Political Economy of Attitudes toward Polity and Society in Western European Democracies," 1000.

⁹³ Konadu-Agyemang, "The Best of Times and the Worst of Times," 476.

H₂: As satisfaction with economic condition today versus five years previous increases, satisfaction with ERP will increase.

Those who are more satisfied with their personal situation compared to the past are likely to have benefited from the improvements in Ghana's economy. When citizens are satisfied with their lives, they are more likely to be supportive of the government and its programs.⁹⁴ Alternatively, those who have seen their personal situation get worse over time will be less supportive of the government's economic programs.

H₃: As individuals go without water for domestic use more frequently, their satisfaction with ERP will decrease.

Water is a necessity for daily life, yet many Ghanaians are sometimes unable to access sufficient amounts of clean, safe water. Competition for scarce resources can lead to instability, and when government legitimacy is already low this effect will be magnified.⁹⁵ As long as the provision of water remains a public responsibility, the government will be at least partially to blame when citizens lack regular access.

H₄: As an individual's opinion of government job creation improves, satisfaction with ERP will increase.

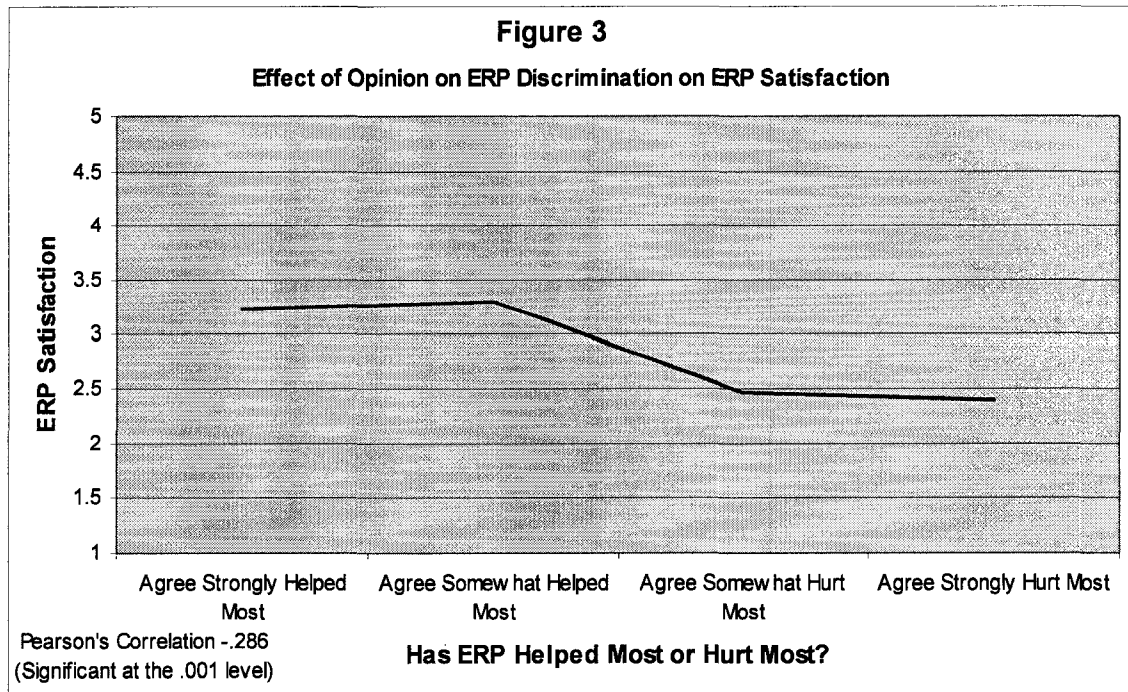
High levels of unemployment can have a demoralizing on society and especially the individuals it affects.⁹⁶ Unemployment in Ghana has been a consistent problem, but the retrenchment of public sector jobs under ERP has not helped the situation. This job loss is directly related to ERP, while the continued high levels of unemployment suggest that economic development has not translated to significant levels of new jobs in Ghana.

⁹⁴ Clarke, Dutt and Kornberg, "The Political Economy of Attitudes toward Polity and Society in Western European Democracies," 1000.

⁹⁵ Gurr, "On the Political Consequences of Scarcity and Economic Decline," 55.

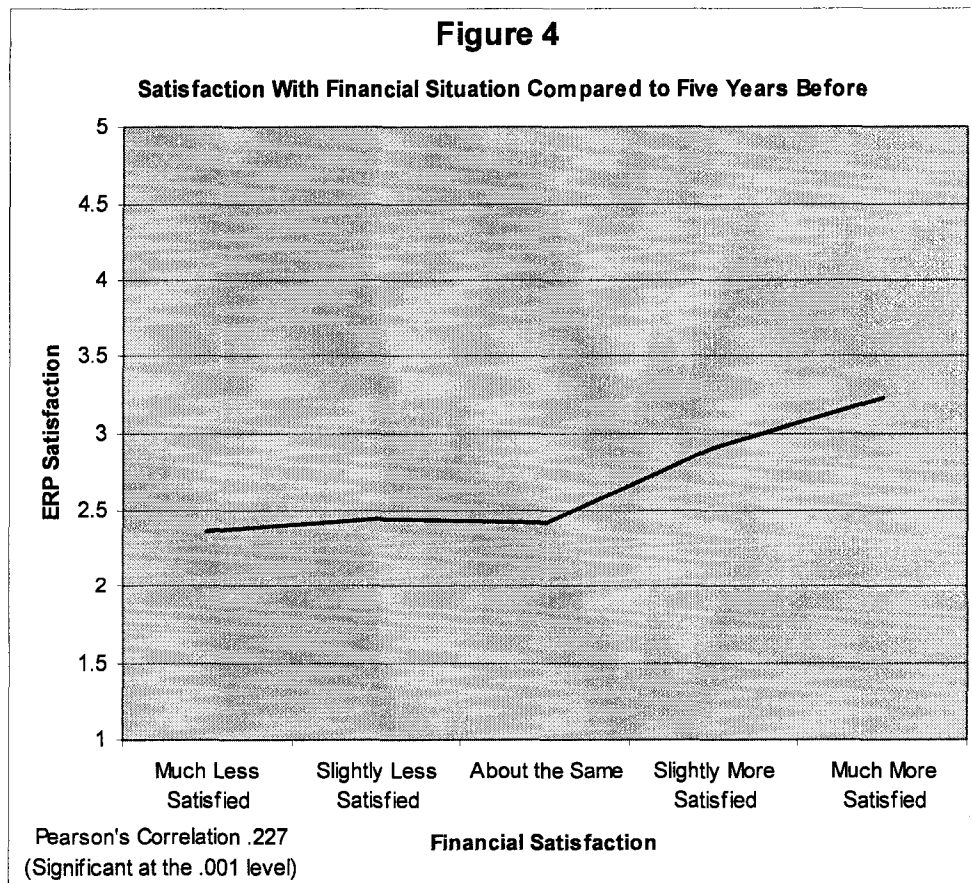
⁹⁶ Conover and Feldman, "Emotional Reactions to the Economy," 72.

An underemployed citizenry is unlikely to be satisfied with a program such as ERP if it is not creating new jobs. Before proceeding to the multivariate regression analysis, a series of bivariate line graphs will be created to determine what relationships exist between each independent variable and satisfaction with ERP.



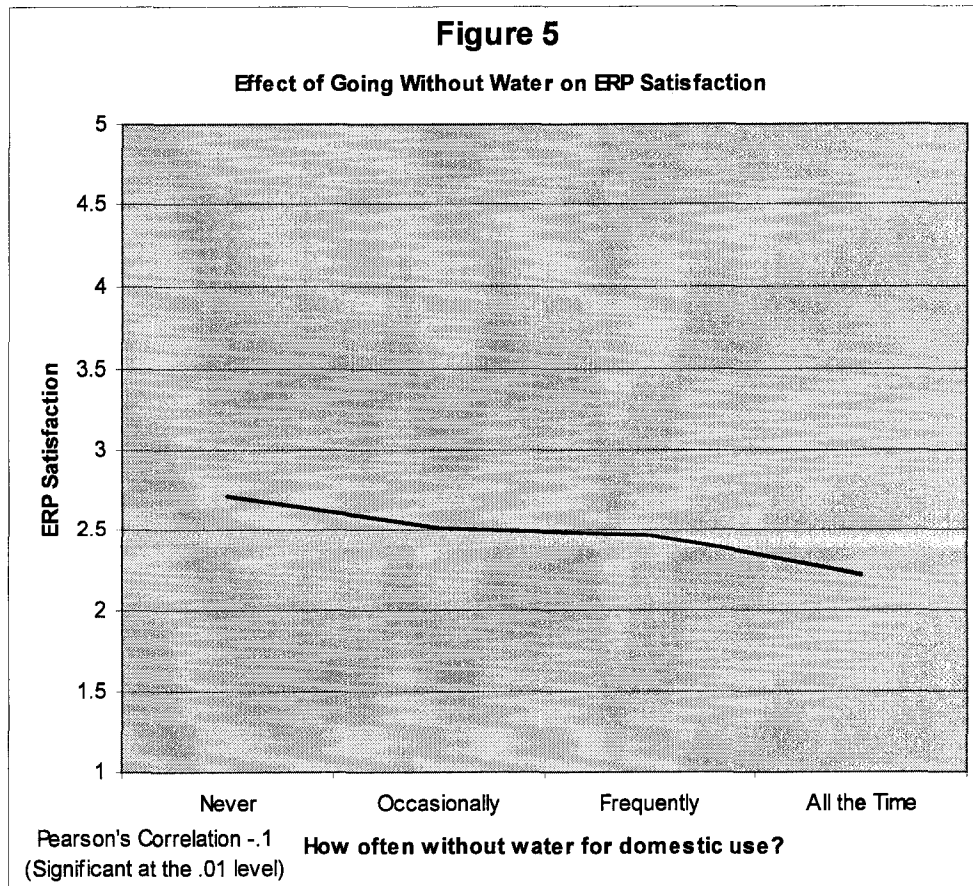
H_1 : As belief that government policy was discriminatory increased, satisfaction with ERP will decrease.

As Figure 3 shows, those who believed that ERP helped most ranked satisfaction with ERP much higher than those who believed the program was discriminatory. There was a sharp difference between the two groups. Those who felt strongly that the government policy was helping citizens most average 3.21 satisfaction with ERP, slightly to the positive side, while those feeling strongly that ERP hurt most averaged a satisfaction ranking of 2.4. Thus, the belief that ERP was discriminatory corresponded to a difference of about .8 on a five-point scale.



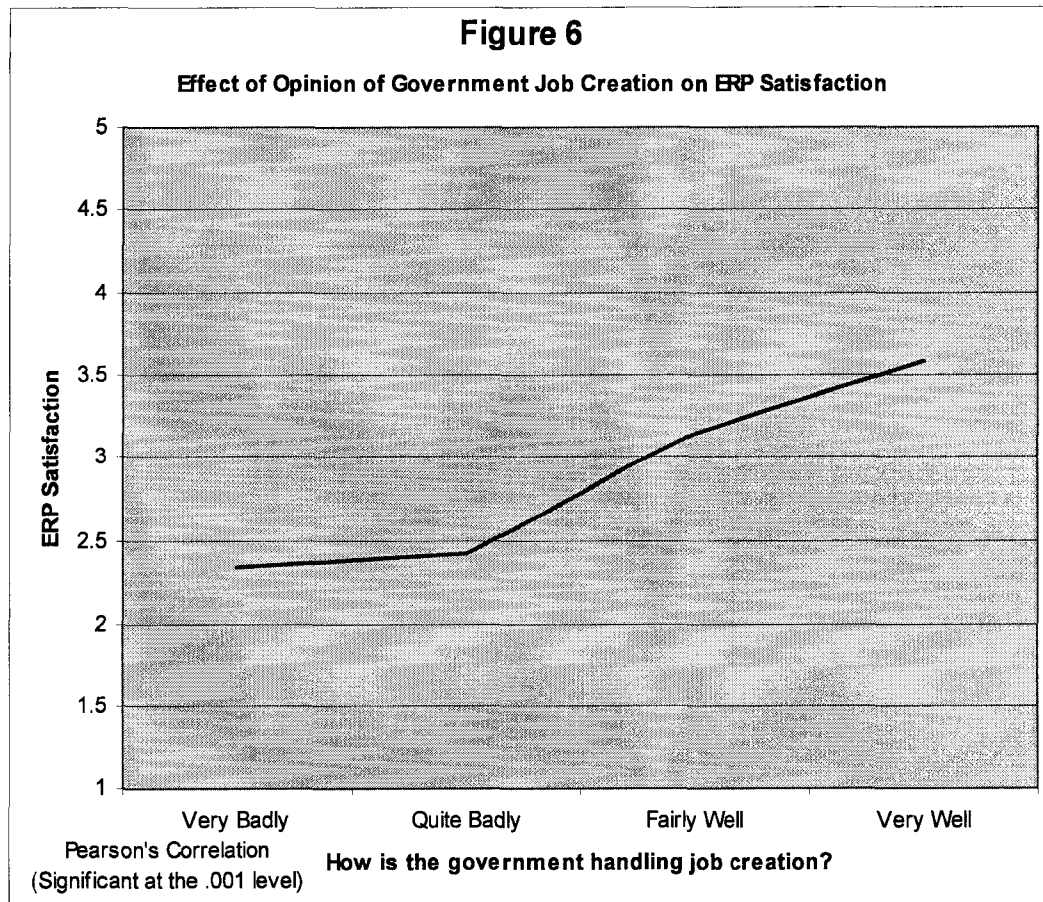
H₂: As satisfaction with economic condition today versus five years previous increases, satisfaction with ERP will increase as well.

As expected Figure 4 shows that those who are more satisfied with their financial situation are also more satisfied with ERP. There is a clear trend towards more satisfaction with ERP for those who are more satisfied with their comparative position. Respondents that were much less satisfied with their condition averaged 2.36 on the satisfaction with ERP scale while those that were much more satisfied averaged 3.23 satisfaction with ERP. The difference between those most satisfied with their situation and those least satisfied was about .87 on the five-point scale of ERP satisfaction.



H₃: As individuals go without water for domestic use more frequently, their satisfaction with ERP will decrease.

As Figure 5 shows, this trend was continuous over the full range of the variable. Those who had never gone without water averaged 2.72 in their opinion of ERP, nearly neutral, while those who had frequently gone without water averaged 2.21, closer to a somewhat unsatisfied rating for ERP. This corresponds to a difference of about .5 on a five-point scale.



H₄: As an individual's opinion of government job creation improves, satisfaction with ERP will increase.

As Figure 6 shows, there is a trend that those who feel better about the government's current performance on job creation also feel better about ERP. Those who felt the government was handling job creation very well averaged 3.58 satisfaction with ERP, while those who felt the government was performing badly rated satisfaction with ERP 2.35. This is a difference of slightly over 1.2 on a five-point scale, the most substantial effect of any independent variable in the bivariate analysis.

This study will now move on to a multivariate analysis in the form of an Ordinary Least Squares (OLS) regression. OLS regression models are used to measure the cumulative effect of the independent variables on satisfaction with ERP. After running

an initial model, variables that have no significant effect on satisfaction with ERP will be removed to form a trimmed model. The trimmed model allows for interpretation of how citizens judge structural adjustment programs based on the effect of the remaining variables. This will help to determine what developing country governments need to do in order to ensure that these programs are accepted and supported by the citizens.

Table 2.
OLS Regression Results

<i>Variables</i>	<i>Initial Model</i>	<i>Trimmed Model</i>
Constant	2.608*** (.308)	2.471*** (.224)
Age	-.029 (.035)	--
Income	.036 (.035)	--
Gender	-.129 (.096)	--
Education	-.025 (.042)	--
Government Policy Helps Most or A Few	-.213*** (.040)	-.212*** (.040)
Satisfaction vs. 5 Years Ago	.124*** (.034)	.125*** (.033)
Without Water Last Year	-.151* (.059)	-.141* (.059)
Job Creation	.316*** (.050)	.325*** (.049)
Adjusted R Square	.171	.173
N	711	723

An F test indicated that these models were significant at the .001 level.
Coefficients are unstandardized, with standard errors in parentheses.

*p<.05; **p<.01; ***p<.001

Multivariate Analysis

Table 2 shows the results from two multivariate regression analysis models used to test the hypotheses. The first model predicted 17.1% of the variance in the satisfaction with ERP according to the adjusted R Square. This is a strong model considering it is based on survey data. In this first model 711 cases were considered; the original sample contained 2004 respondents, but these models only consider those Ghanaians that had heard of ERP. In the original model the control variables income, education, gender and age were included, but none were significant factors in predicting satisfaction with ERP and thus were removed from the second model. Demographic characteristics in Ghana do not seem to influence opinions of ERP. Each of the other factors maintained a significant relationship in the multivariate model, just as they had in individual models. After the regression analysis, it becomes clear that income, gender, age and education do not explain satisfaction with ERP.

In evaluating the trimmed model we find that it predicts 17.3% of the variance in satisfaction with ERP according to the adjusted R Square. The trimmed model considered only those variables directly related to social policy outputs and inequality in Ghana, linking the responses directly to the ERP. Again, this is a strong model and the exclusion of those variables that do not influence opinion of ERP increases its accuracy. The trimmed model considered 723 cases. The increase in cases from the initial is due to the removal of variables that had missing data.

The first variable considered in the trimmed model was whether the respondent believed the government's policy was discriminatory, or if it helped the majority of citizens. For every one-unit increase in opinion on government policy discrimination,

satisfaction with ERP decreased by .212, holding all other variables constant. This relationship was significant at the .001 level. To put this relationship in perspective, this represents a change of .636 over the full range of the variable. Those that viewed ERP as most discriminatory judged the program to be .636 less satisfactory than those who thought it was not at all discriminatory. This supports H₁, which suggests those who feel more strongly that the government policy only helps a few view ERP less favorably.

The model also measured citizens' satisfaction with their economic situation compared to 5 years before. The regression analysis found that for every one-unit increase in satisfaction with his or her situation, a respondent viewed ERP .125 more favorably, holding all other variables constant. To put this in perspective, this represents a change of .5 over the full range of the variable. That is, those who are the most satisfied with their economic situation were .5 more satisfied with ERP than those who were least happy about their economic situation. This supports H₂, which predicted that this relationship would exist.

The analysis now turns to the effect of access to water on satisfaction with ERP. For each one-unit increase in how often a respondent had been without water, satisfaction with ERP declined by .141, holding all other variables constant. This relationship is significant at the .05 level. To put this in perspective, there were 4 possible responses, which correspond to an overall decrease in satisfaction with ERP of .423. Citizens who went "without water for domestic use all the time" judged ERP to be .423 less satisfactory than those who had regular water access. This supports H₃, which claimed that those who went without water more frequently would be less supportive of ERP.

The final factor in the model considered the effect of how the respondent believed the government was doing creating jobs on satisfaction with ERP. For every one-unit increase in opinion of the government's handling of job creation, satisfaction with ERP increased by .325, holding all other variables constant. This relationship was significant at the .001 level. This represents a change of .975 over the full range of the variable, showing that those who strongly believe that the government is doing well creating jobs view ERP nearly a full point higher than those that believe strongly that the government is doing poorly creating jobs. This supports H₄, showing that perceptions of the government's ability to create jobs are related to satisfaction with ERP.

This multivariate analysis shows four key variables that effect opinions of ERP, three social policy outputs and one measure of the equality of the program. The strongest variable was opinion of the government's ability to create jobs. The other measures of tangible benefits had smaller effects, both less than half of the effect of job creation. The people's perception of equality was the second most powerful predictor of satisfaction with ERP. This suggests that governments should focus on equality and job creation when adhering to structural adjustment programs. Unfortunately, many times these programs result in job cuts as inefficient state-owned enterprises are privatized. In Ghana the implementation of ERP resulted in the retrenchment of over 300,000 jobs in the public sector.⁹⁷ Finding new jobs for these workers in addition to combating existing unemployment remains a challenge for Ghana as they struggle to develop.

Methodological Considerations

Several potential limitations of this research must be mentioned. First and foremost, the fact that much of the previous research focuses on evaluations of

⁹⁷ Konadu-Agyemang, "The Best of Times and the Worst of Times," 474.

government performance and not the economy may skew the data. Adapting theories dealing with opinions of the government to an economic program designed by an outside organization may lead to faulty assumptions about the effects that these variables have on satisfaction with ERP. The influence of economic performance on opinions of government performance is generally found to be strong, though, and it is very likely that much of this theory is applicable. The Afrobarometer provides an important resource for evaluating trends in Africa, but caution must be used in applying the results to other countries as the survey is biased towards liberalizing regimes.⁹⁸ Finally, while job creation had a relatively strong effect on satisfaction with ERP, the other variables had less substantial effects that cannot be overstated.

⁹⁸ From the Afrobarometer website, located at www.afrobarometer.org. Last accessed 7/18/06.

DISCUSSION

Paul Wolfowitz has recently taken the helm at the World Bank with the stated goals of improving the Bank's expertise with regards to education, health, infrastructure, energy and agriculture.⁹⁹ He has also pledged to continue the Bank's recent commitment to eradicating poverty.¹⁰⁰ These are positive signs that suggest the IFIs are already beginning to learn the lessons presented by this research. If economic programs can allow the government to continue to provide tangible benefits to the people, replace the jobs lost through retrenchment of the public sector, and work to reduce inequality, the programs are much more likely to be accepted.¹⁰¹ The important question, then, is what can be done to ensure that economic programs can reform the economy, encourage development, and maintain even moderate levels of support. This section will examine some strategies that could be employed by the IFIs including debt relief, microlending, and ensuring that these programs provide benefits for all citizens of a country.

Debt Relief

As the debt burden continues to grow for many developing countries, debt relief and debt cancellation remain hot topics for opponents of the IFIs. As of 2001, the 41 Heavily Indebted Poor Countries (HIPC), of which Ghana is one, owe about \$170 billion to foreign creditors and half of their citizens remain below the poverty line.¹⁰² Most of these countries have little hope of ever paying back the loans based on current

⁹⁹ Jessica Einhorn, "Reforming the World Bank," *Foreign Affairs* (January/February 2006): 17-22.

¹⁰⁰ Ibid.

¹⁰¹ Mills, "Structural Adjustment in Sub-Saharan Africa," 10.

¹⁰² M.A. Thomas, "Getting Debt Relief Right," *Foreign Affairs* (September/October 2001): 36.

interest rates and current GNPs.¹⁰³ With debt relief billions of dollars can be put back into social services and industrial development that would otherwise go towards paying back interest on existing loans.¹⁰⁴

The biggest issue opponents have with debt relief is fungibility. Writing off developing country debt does not ensure economic development at a similar level to what may be achieved by well designed, properly implemented aid programs. Additionally, debt relief does not go directly to the poor that it is intended to help, but instead it goes to the governments that originally racked up the debt.¹⁰⁵ Research has suggested that debt relief can work in relatively developed countries with high levels of debt, but that controlled aid programs are more promising in poor countries that lack the necessary institutions for further development.¹⁰⁶

In an attempt to ensure that debt relief produces the intended consequences conditionality has begun to be associated with debt relief, but in ways that are less controversial than the conditionality of structural adjustment. In 1989, U.S. Treasury Secretary Nicholas Brady introduced a plan that would relieve debt “contingent on debtor countries enacting major economic reforms.”¹⁰⁷ The Brady Plan was quite successful, as stock markets in recipient countries increase by \$42 billion by the time that these nations reached their agreed upon goals.¹⁰⁸ More recently the Blair Plan for debt reduction in 2001 excluded several countries because “they did not pass the anticorruption and

¹⁰³ Ibid.

¹⁰⁴ David Ruffin and Nicole Marie Richardson, “With Debt Lifted, Africa Can Rebuild,” *Black Enterprise* (October 2005): 31.

¹⁰⁵ Thomas, “Getting Debt Relief Right,” 36.

¹⁰⁶ Serkan Arslanalp and Peter Blair Henry, “Research: G8 Debt Relief Plan May Not Help,” (June 2005): available at http://www.gsb.stanford.edu/news/research/econ_henry_g8debtreliet.shtml (accessed November 8, 2005).

¹⁰⁷ Arslanalp and Blair Henry, “Research: G8 Debt Relief Plan May Not Help.”

¹⁰⁸ Ibid.

transparent governance criteria required for debt cancellation.”¹⁰⁹ The Blair Plan for debt reduction eventually gave way to a much more generous package presented in Gleneagles, Scotland at the 2005 G8 summit.

Under the Gleneagles plan Ghana, along with 17 other Latin American and African states, would receive 100 percent cancellation of debt, with a combined reduction in annual debt burden of \$1.5 billion.¹¹⁰ The summit also resulted in a pledge from the G8 countries to double the aid received by Africa to \$50 billion by 2010. While this agreement still “falls short of the goal of committing rich nations to donate .7 percent of GDP by 2015,” it is still a promising sign for the future of Africa.¹¹¹ Whether this latest move to cancel much of Africa’s debt has the intended positive effects is yet to be seen. Either way it has generated considerable hope as Africa moves forward.

Redesigning Aid Programs

World Bank documents have suggested that “in the interest of preserving social peace and reducing tensions in times of crisis, it is crucial for governments to create jobs when the private sector cannot, maintain expenditures on education and health, and targeted expenditures to protect the most vulnerable.”¹¹² While this is a noble goal, under structural adjustment many countries have struggled to reach it. Policymakers have also recommended that countries should weigh the benefits of these programs against the costs, but as noted above, many implemented the programs simply to continue the flow of aid, without evaluating their potential benefits and costs.¹¹³ Looking at these goals from

¹⁰⁹ Ibid.

¹¹⁰ Ruffin and Richardson, “With Debt Lifted, Africa Can Rebuild,” 31.

¹¹¹ Ibid.

¹¹² Ibid., 8.

¹¹³ Ibid., 21.

early in the structural adjustment period, it would be difficult for the World Bank to call these programs a success.

Evidence exists that when the people are made aware of a program and its potential effects, the program has a higher chance of success.¹¹⁴ When the people are prepared to deal with the consequences of a program, but can see improvements gradually occurring, it is likely that they will have less of a problem with it. The IMF intervention in Korea was a good example of this, showing that if the people are aware of and support a program it has a higher chance of success.¹¹⁵ The World Bank recommends that “all social and political groups must understand the issues at stake and accept that they are important.”¹¹⁶ When asked, “*Have you heard about the Economic Recovery Program (ERP)?*” nearly 60 percent of Ghanaians responded that they had not. This low level of awareness of the program suggests that the Ghanaian government is not working to mobilize support for the program, or even to increase awareness of it. The best way to build ownership for the program is to begin building support during the design stages, an important goal for any future economic development programs.¹¹⁷

Building support for economic programs can also be achieved by showing citizens that they will benefit directly from the program. Using the strategies employed by an alternative international aid organization could help the IFIs do just that. Originally formed in Bangladesh in 1983, the Grameen Bank created a system of small scale lending that came to be known as microcredit. Unlike the SAPs, the Grameen Bank works to provide direct benefits for the citizens of developing countries by lending

¹¹⁴ Hayo and Shin, “Popular Reaction to the Intervention by the IMF in the Korean Economic Crisis,” 99.

¹¹⁵ Ibid.

¹¹⁶ Mills, “Structural Adjustment in Sub-Saharan Africa,” 21.

¹¹⁷ Ibid., 23.

directly to them encouraging entrepreneurship and self-sufficiency.¹¹⁸ The Grameen Bank also lends almost exclusively to women, combating longstanding gender inequalities in many developing countries. Women repay loans with a higher frequency than men and are less likely to spend the money on themselves.¹¹⁹ The Grameen Bank also finds a significant positive effect on the schooling and nutrition of children when the loans are distributed to women.¹²⁰

The Grameen Bank shows an important strategy that has largely been ignored by the IFIs. If the IMF and World Bank allocated a small percentage of their economic aid packages to microcredit in developing countries, it would allow them to overcome some of the issues that have been most controversial under SAP. While the SAPs are criticized for reducing access to health care and education, the presence of the Grameen Bank has been shown to have a positive effect on these sectors.¹²¹ The Bank encourages healthy and responsible living on the part of its members, having them recite a list of 16 resolutions at each weekly meeting.¹²² While they are not enforced, these resolutions encourage the women to practice proper hygiene and learn proper social dictums.¹²³

¹¹⁸ Mohammed Yunus, "The Grameen Bank," *Scientific American* (Nov. 1999): 114.

¹¹⁹ Ibid., 117.

¹²⁰ Ibid.

¹²¹ Konadu-Agyemang, "The Best of Times and the Worst of Times," 476; Patrick Develtere and An Huybrechts, "The Impact of Microcredit on the Poor in Bangladesh," *Alternatives: Global, Local, and Political* (April-June 2005): 178.

¹²² "The 16 Decisions of the Grameen Bank," Grameen – Banking for the Poor, accessed at <http://www.grameen-info.org/bank/the16.html> (accessed February 6, 2006). A full list of the resolutions can be found in the Appendix.

¹²³ Yunus, "The Grameen Bank," 115.

CONCLUSIONS

The main thesis of this paper has been that the peoples' opinion of structural adjustment programs is driven by their perceptions of equality and by the tangible benefits provided. Analysis of the Afrobarometer survey in Ghana showed that these relationships did in fact exist and that many citizens remain dissatisfied with aid programs now over 20 years old. Ghanaians often fail to see tangible benefits from the ERP, while they do find increasing inequality under the program. If the economic struggles under ERP continue, it could create instability in this young democratic state.

The ERP has not worked as well as hoped, but positive signs for the future do exist. The government returned to democracy in 1992 and has seen no new *coup* attempts since. The ERP has simplified monetary exchange and allowed it to occur legally, instead of in the black market.¹²⁴ By moving such transactions into legal markets, the economy gains legitimacy. Tourism has been a growth sector for Ghana's economy, one area that has benefited from political stability, improved infrastructure, and currency devaluation.¹²⁵ With the recent decision to cancel Ghana's debt, more hope for future economic development is warranted, provided that this money is put to work in the economy, rather than officials' pockets.

The dissatisfaction that many citizens feel with SAPs can be explained at least in part by the lack of success that many programs have had in reducing the debt a country faces, or in encouraging economic development. When citizens do not see their own situation improve over long periods of time, they are unlikely to be satisfied with international aid that dulls future economic prospects by increasing debt. The Grameen

¹²⁴ Konadu-Agyemang, "Structural Adjustment Programmes and the international tourism trade in Ghana 1983-99," 194.

¹²⁵ Ibid.

Bank seeks to improve the lives of citizens by working directly with them to achieve financial security. The Grameen is also working to reverse longstanding gender inequalities that exist in many developing countries. By making a difference in their lives, this organization is much more likely to be seen in a positive light by the poor.

If future conditional loans are to be more widely accepted, the IFIs need to work more closely with policymakers in the recipient country to build support for reform before it starts. When they need not worry about the response of the people it is much easier to implement a potentially unpopular program. For democratic states ensuring the acceptance of overarching economic programs is difficult, but attainable. If they can continue to provide tangible benefits to the people, replace the jobs lost through retrenchment of the public sector, and work to reduce inequality, the programs are much more likely to be accepted.

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APPENDIX – Grameen Bank Resolutions

These 16 resolutions are recited at weekly meetings of Grameen Bank members. Although they are not enforced, the presence of the Grameen has produced positive changes in the direction of many of these resolutions in the villages where it works.

- We shall follow and advance the four principles of Grameen Bank – Discipline, Unity, Courage and Hard work – in all walks of our lives.
- Prosperity we shall bring to our families.
- We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
- We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
- During the planting seasons, we shall plant as many seedlings as possible.
- We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
- We shall educate our children and ensure that they can earn to pay for their education.
- We shall always keep our children and the environment clean.
- We shall build and use pit-latrines.
- We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
- We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our center free from the curse of dowry. We shall not practice child marriage.
- We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
- We shall collectively undertake bigger investments for higher incomes.
- We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
- If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
- We shall take part in all social activities collectively.